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ABSTRACT

This document contains a synthesized review of current State subcounty allocation procedures and assesses the impact and feasibility of four alternative allocation strategies. The review indicates that in the current subcounty allocation process, the United States Office of Education (USOE) uses a single formula to calculate county entitlements while State education agencies use a variety of formulas to divide the county allocations among school districts within each county. The four alternative allocation strategies are compared along six dimensions: (1) consistency of treatment of districts; (2) currency of data; (3) hold harmless effects; (4) States most affected and types of districts which would benefit; (5) data availability and feasibility; and (6) administrative complexity. Results of the comparisons are presented in detail. Each alternative is then summarized in terms of the advantages that would be gained or the disadvantages that would be incurred in their respective implementations. (Author/EB)

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Volume IV
Of the Title I, ESEA,
Subcounty Allocation Study

A Summary of Alternative Strategies for Determining School District Title I Allocations

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National Institute of Education
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FOREWORD

This is the last of a four-volume report describing subcounty allocation of funds appropriated under Title I of the Elementary and Secondary Education Act of 1965, as amended in the Education Amendments of 1974 (P.L. 93-380). By Federal formula, allocations are determined by county. Therefore, subcounty allocation is the term given to the procedures used by states to apportion county allocations to school districts. At this point, the Congress is concerned that the subcounty allocation of Title funds may lead to distributional effects that were not intended. The P.L. 93-380 Conference Report noted some of the reasons for this concern:

> "The conferees are concerned that the Department of Health, Education and Welfare, since the enactment of Title I, has administered the program in such a manner that funds are allocated to counties rather than to local education agencies, the units entitled to receive funds under the Title. The use of this administrative device could mean that school districts with increasing numbers of Title I eligible children in counties with static or declining numbers of such children may be denied rightful increases in Title I allocations.
>
> The conference committee does not wish these statements to be construed as condoning the present HEW practice of using county-level data as a substitute for local education agency-level data in calculating hold harmless levels. Rather, the conferees intend that this amendment, as well as the 85 percent hold harmless provision, serve as an incentive to the Office of Education to collect appropriate local education agency-level data necessary to implement the amendments."

A separate section of P.L. 93-380 authorized the National Institute of Education (NIE), to conduct studies of compensatory education, including consideration of the feasibility, cost, and consequences of alternative ways of distributing federal compensatory education funds.

In September 1976, NIE contracted with Applied Urbanetics, Inc., to conduct an assessment of subcounty allocation. The results of that assessment are to be presented in four volumes:

Volume I.	Current Subcounty Allocation Practices;
Volume II.	Impact of Variations in Subcounty Allocation Procedures on Title I ESEA Allocations to School Districts;
Volume III.	A Feasibility Analysis of Alternative Strategies for Determining School District Title I Allocations;
Volume IV.	A Summary of Alternative Strategies for Determining School District Title I Allocations.

Volume I, Current Subcounty Allocation Practices, describes the origin and extent of the subcounty allocation process, the formulas and data sources used by the states, the methods used to collect and process data, and the costs of those methods.

Volume II, Impact of Variations in Subcounty Allocation Procedures on Title I ESEA Allocations to School Districts, describes the results of statistical analyses identifying the states in which districts would gain or lose funds under alternative allocation formulas and procedures, and identifying the types of districts that would gain or lose funds.

Volume III, A Feasibility Analysis of Alternative Strategies for Determining School District Title I Allocations, describes the availability and reliability of Census, AFDC, N&D and Foster data for school districts and the administrative complexity of alternative strategies for allocation to school districts.

Volume IV, A Summary of Alternative Strategies for Determining School District Title I Allocations, is a synthesis of the preceding three volumes that reviews current state procedures and assesses the impact and feasibility of four alternative allocation strategies.

INTRODUCTION

Title I of the Elementary and Secondary Education Act[1] authorizes financial assistance to school districts for compensatory education. It is a formula grant program in which each of more than 12,000 local education agencies (LEAs) is entitled to receive an amount based, in part, on the number of Title I eligible children living in the school district served by the LEA.[2] The drafters of Title I were aware, however, that the data needed to employ the formula in the statute were not readily available at the school district level.

Since the needed data were available at the county level, Congress authorized entitlements to be made to counties. The county entitlement was to be:

> "allocated among those (local) education agencies upon such equitable bases as may be determined by the state education agency in accordance with basic criteria prescribed by the Commissioner."

Allocation of the county entitlements has been called "subcounty allocation." It is the procedure by which district entitlements are determined. Since the "equitable bases" chosen by each state education agency may differ from the statutory formula, subcounty allocation may have a significant impact on which school districts Title I money is focused.

Three previously published volumes of this study presented the findings of a review of the current subcounty allocation process. These three volumes provided the background data for an assessment of alternatives to the current allocation system.

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[1] Elementary and Secondary Education Act of 1965, as amended, including changes made by P.L. 93-380, approved August 21, 1974.

[2] Children counted under the Title I formula include those aged 5-17 from families below poverty (determined using the same criteria used by the Bureau of the Census in compiling the 1970 decennial Census); plus two-thirds of the children 5-17 in families receiving AFDC payments (under Title IV of the Social Security Act) in excess of the poverty level for a non-farm family of four, as updated from the 1970 levels based on the Consumer Price Index; plus children aged 5-17 living in institutions for neglected and delinquent children (other than institutions operated by the U.S. Government) or being supported in foster homes with public funds.

Volume I, Current Subcounty Allocation Practices, describes the origin and extent of the subcounty allocation process; the formulas and data sources used by the states; the methods used to collect and process data; and the costs of those methods.

Volume II, Impact of Variations in Subcounty Allocation Procedures on Title I ESEA Allocations to School Districts, describes the results of statistical analyses identifying (1) the states in which districts would gain or lose funds under alternative allocation formulas and procedures and (2) the types of districts that would gain or lose funds.

Volume III, A Feasibility Analysis of Alternative Strategies for Determining School District Title I Allocations, describes the availability and reliability of Census, AFDC, Neglected and Delinquent (N&D), and foster children data for school districts, and the administrative complexity ity of alternative strategies for allocation to school districts.

This report reviews current state subcounty allocation procedures and assesses the impact and feasibility of implementing one of four alternative allocation strategies:

SINGLE FORMULA ALTERNATIVES

Alternative 1. Subcounty allocation - USOE would continue to calculate county grants and states would continue to divide those grants among school districts. However, a single national formula would be used, rather than the several state formulas.

Alternative 2. Substate allocation - USOE would calculate state grants and states would use a single national formula for allocation to school districts.

Alternative 3. Direct (national) allocation - USOE would calculate district grants using Census data, plus data submitted by the states; a single national formula would be used.

MULTIPLE FORMULA ALTERNATIVE

Alternative 4. Multiple formula substate allocation - USOE would calculate state grants and the states would select a formula for allocation to school districts.

Chapter 1 of this report summarizes the procedures currently in use, while Chapter 2 compares the alternatives with the current allocation procedure in answering six important questions.

The questions to be addressed include:

1. Would districts be treated consistently? That is, would districts with the same number of eligible children receive the same funds, except for hold harmless and state cost factors?

2. Would the data be current (for example, AFDC data are collected annually, but Census data are collected only once each decade)?

3. What impact would hold harmless[3] have?

4. What types of districts would be helped by each allocation strategy?

5. Would data, needed for each strategy, be available and reliable?

6. What administrative complexity would be entailed in each strategy?

Findings

Table 1 presents a brief summary of the answers to each of the six questions. In reviewing the table, a reader might conclude that direct allocation by USOE (Alternative 3) was feasible and was better than the current method and better than any of the alternatives. In fact, substate allocation using a single formula (Alternative 2) offers most of the same benefits as Alternative 3 and is more administratively feasible. The reader is, therefore, cautioned to review the entire document before drawing a conclusion on the alternatives.

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[3]Hold harmless is the name given to the process by which all school districts are assured 85 percent of their allocation of the previous year. Multiple formulas and two-tiered allocation procedures affect the number of districts held harmless as well as which districts must lose funds to allow other districts to reach the 85-percent level.

Table 1

ALTERNATIVES TO SUBCOUNTY ALLOCATION PROCEDURES AND COMPARISON WITH PRESENT SYSTEM

Alternative	Consistency of Treatment	Currency	Hold Harmless Effects	Types of Districts that Would Benefit	Data Availability and Feasibility	Administrative Complexity
Subcounty allocation using a single formula	More consistent than present methods	Less current for states now using AFDC	Same as present procedure	In states that emphasize AFDC, suburban districts would gain at expense of urban districts.	Census data tabulation would need to be implemented in 9 states, AFDC tabulation in 3 states, Census and AFDC in 2 states	Greater effort initially for states not using single uniform formula currently
Substate allocation using a single formula	More consistent than present methods	Less current for states now using AFDC	Hold harmless costs spread over each state	Same as above	Same as above	Same as above and USOE procedures less complex because allocations would go to the state level; and state procedures would be less complex than current procedures
Direct allocation by USOE using a single formula	More consistent than present methods	Less current for states now using AFDC	Hold harmless costs spread over entire nation	Same as above	Same as above	Same as single formula subcounty and USOE grant calculation efforts at least 500 percent greater; and USOE might be faced with delays and last minute changes that would confound the grant calculation process
Substate allocation using current subcounty formulas	More consistent treatment than present formula but not as consistent as single formula alternative	As current as present procedures	Hold harmless costs spread over each state	In states emphasizing AFDC data, districts in urban counties would gain at the expense of districts in rural and suburban counties	No feasibility problems over current situation	Less data gathering and grant calculation effort by USOE. Slightly less data gathering and grant calculations by state

CHAPTER 1. Current Subcounty Allocation Procedures

Subcounty allocation is required wherever school districts do not geographically coincide with counties. In four states (Florida, Maryland, Nevada, and West Virginia) and in the District of Columbia, all school districts coincide with counties; and subcounty allocation is not required. In the remaining 46 states, the extent of the subcounty allocation task ranges from the involvement of four districts in two parishes (counties) in Louisiana to more than 700 districts in several hundred counties in California, Illinois, New York, and Texas. Nationally, 73 percent of Title I funds are subject to subcounty allocation.

Each of the 46 subcounty states selected a formula for subcounty allocation. Their formulas may be classified in one of four groups:

- those identical with the statutory formula (24 states);
- those similar to the statutory formula in that they rely primarily on counts of children in poverty according to the 1970 Census (10 states);
- those using only AFDC data, including all children 5-17 in AFDC families (five states); and
- other formulas not relying on data elements used in the statutory formula (seven states).

The 24 states which use the statutory formula for subcounty allocation are listed in the first column in Table 2. All of these states allocate county funds on the basis of 1970 Census children in poverty, plus two-thirds of the children in AFDC families above the poverty level, plus children in institutions for the neglected and delinquent (N&D). Three-fourths of these states also include counts of foster children.

Of the 22 states not using the statutory formula, 10 states depend on 1970 Census counts of children in

Table 2

FORMULAS USED FOR SUBCOUNTY ALLOCATION, BY STATE,[1] FISCAL YEAR 1977

Same as Statutory Formula (1970 Census Orshansky[2] + 2/3 AFDC Above Poverty[3])	Similar to Statutory Formula	Current Total AFDC	Other
			Alabama - Agreement based on available data
Alaska			
			Arizona - 1970 Census below $3,000
			Arkansas - Free Lunch and all AFDC (FY 77)
		California	
	Colorado - 1970 Census Orshansky[4] + a weighting of AFDC		
	Connecticut - 1970 Census Orshansky + all AFDC above poverty		
			Delaware - 1971 AFDC above $?,000
	Georgia - 1970 Census Orshansky + 1/3 AFDC		
	Hawaii - 1970 Census below $3,000 + 2/3 AFDC		
Idaho[4]			
Illinois			
	Indiana - 1970 Census Orshansky only		
			Iowa - State Income Tax + all AFDC
Kansas			
Kentucky			
			Louisiana - Fixed Percentage
Maine			
		Massachusetts	
Michigan			
Minnesota			
Mississippi - no AFDC above poverty			
		Missouri	
		Montana	
	Nebraska - 1970 Census Orshansky[4] + all AFDC		
New Hampshire			
New Jersey			
New Mexico - no AFDC above poverty			
New York			
			North Carolina - agreement based on available data
North Dakota[4]			
Ohio			
Oklahoma			
Oregon			
Pennsylvania			
Rhode Island			
South Carolina - no AFDC above poverty			
South Dakota			
Tennessee - no AFDC above poverty			
Texas - no AFDC above poverty			
	Utah - 1970 Census Orshansky + all AFDC		
	Vermont - 1970 Census Orshansky + all AFDC above poverty		
	Virginia - 1970 Census Orshansky only		
	Washington - 1970 Census Orshansky only		
Wisconsin			
		Wyoming	
24	10	5	7

[1] Does not include the District of Columbia, Florida, Maryland, Nevada or West Virginia in which counties and school districts are coterminous.

[2] Children 5-17 in families with 1969 income below the poverty line.

[3] Children 5-17 in families receiving Aid to Families with Dependent Children in excess of the current poverty level for a non-farm family of four.

[4] These states allocate part or all of their Census counts in proportion to average daily attendance.

Source: Profiles of Subcounty Allocation Procedures, Applied Urbanetics, Inc., 1977.

poverty, either alone or with AFDC data in some combination that is different from that used in the statutory formula. They are:

- Indiana and Virginia, which use 1970 Census poverty counts;
- Washington, which uses 1970 Census data combined with annual state updates to reflect shifts in demography;
- Colorado, which combines 1970 Census data with the total number of AFDC children, but limits the effect of AFDC;
- Vermont and Connecticut, which use 1970 Census data combined with the number of AFDC children above poverty;
- Georgia, which uses 1970 Census data plus one-third of total AFDC children;
- Hawaii, which uses 1970 Census data plus two-thirds of total AFDC children; and
- Nebraska and Utah, which use 1970 Census data plus total AFDC.

Of the 12 remaining states, five -- California, Massachusetts, Missouri, Montana, and Wyoming -- allocate county grants to districts solely on the basis of AFDC and N&D data, without any 1970 Census data.

Each of the seven remaining states uses a unique formula.

- Arkansas is the only state that employs Free Lunch data in the formula. It combines Free Lunch with total counts of AFDC children;
- Iowa uses the number of families below poverty according to annual state income tax return data plus total counts of AFDC children;
- Delaware uses 1971 counts of children in AFDC families receiving more than $2,000 per year;
- Arizona uses 1970 Census, but counts only children in families with income at, or below, $3,000 per year;

- Louisiana, in which only two counties are affected, uses percentages calculated in the late 1960's, partially on the basis of 1960 Census data; and

- Alabama and North Carolina do not use a statewide formula; rather they allow superintendents within each county to select data sources. Data sources mentioned in interviews include Free Lunch counts, local school surveys, AFDC counts, and 1970 Census counts.

Four of the states -- Iowa, Minnesota, North Dakota, and Oregon -- report that they do not allocate county grants to districts. Rather, they pool all their county allocations and allocate directly to districts on the basis of each district's share of the state's eligible children.

CHAPTER 2. Alternative Allocation Strategies

In the current subcounty allocation process, USOE uses a single formula to calculate county entitlements while state education agencies use a variety of formulas to divide the county allocations among the school districts within each county. Applied Urbanetics investigated four alternative allocation strategies that could be used to calculate district grants.

Alternative 1. Single formula subcounty allocation

USOE would continue to calculate county grants and states would continue to divide those grants. However, a single national formula would be used rather than the several state formulas.

Alternative 2. Single formula substate allocation

USOE would calculate state grants; states would then use a single national formula for allocation to school districts.

Alternative 3. Direct allocation

USOE would calculate district grants using a single national formula.

Alternative 4. Multiple formula substate allocation

USOE would calculate state grants, and the states would select a formula for allocation to school districts.

These alternatives were compared along six dimensions: (1) consistency of treatment of districts; (2) currency of data; (3) hold harmless effects; (4) states most affected and types of districts which would benefit; (5) data availability and feasibility; and (6) administrative complexity. The results for the comparisons are presented in the following sections.

1. Consistent Treatment of Districts

Currently, three-quarters of the states use formulas that are identical to the statutory formula or similar to the statutory formula in their dependence primarily on 1970

Census poverty counts. In these states, all districts are treated consistently. The remainder of states use formulas that lead to different allocations because they rely on data such as total AFDC, state income tax, and Free Lunch counts.

All four of the alternatives investigated by Applied Urbanetics would provide more uniformity of treatment than does the current procedure. Under the current procedure, in each state which uses a non-statutory formula, two districts with the same number of statutory children or state eligible children (children defined by the subcounty formula used in that state) may receive different allocations.

Each alternative offers within-state consistency: in any state, districts with the same number of eligible children would receive the same allocations (absent hold harmless).

Thus, within-state uniformity is assured with any of the alternatives. Multiple formula substate allocation (Alternative 4) does, however, allow inconsistency among the states, while Alternatives 1, 2, and 3 use the same formula in every state. In several states, the multiple formula alternative (Alternative 4) would result in allocations different from those that would result from the statutory formula. The states in which district allocations would be most greatly affected are the nine states that emphasize AFDC data in their formulas (California, Massachusetts, Missouri, Montana, Wyoming, Utah, Nebraska, Arkansas, and Iowa) and the other states that do not depend on 1970 Census Orshansky data (Arizona and Delaware).

2. Currency of Data

In the five states that use total AFDC counts and in two other states that use Free Lunch and state income tax data, subcounty allocation formulas rely entirely on data that are updated annually. In the remaining states, only the non-Census components of formulas (AFDC above poverty, Neglected and Delinquent, and foster children) are annually updated. These non-Census components usually account for less than 10 percent of a state's eligible children. A shift to any of the single formula alternatives (Alternative 1, 2, or 3) would reduce the currency of the data used in those seven states; on the other hand, a shift to multiple formula substate allocation (Alternative 4) would increase the impact of current data in those seven states because current data would be used to shift funds between counties as well as within counties.

3. Hold Harmless Effects

Hold Harmless is the procedure for ensuring that each area receives at least 85 percent of its previous year's allocation. It is currently applied twice: once by USOE for counties and once by states for school districts. The USOE application takes funds from counties in all states to meet the floors of the counties which are held harmless. The state application of hold harmless, on the other hand, takes funds from neighboring districts within a county to raise a district to its floor. This practice causes some districts to lose funds that they would otherwise have received had they been located in a county without any hold harmless districts.

The effects of within-county hold harmless were analyzed by comparing entitlements with allocations in a sample of all districts in 24 states. A district's entitlement is its share of its county's allocation determined by using the state's subcounty allocation formula before hold harmless provisions are applied. When entitlements differ from allocations, the cause is assumed to be hold harmless.

The analyses showed that states using formulas that emphasize AFDC data rather than Census data in their subcounty allocation formulas had a larger proportion of districts held harmless. For examples, in California, Massachusetts, and Missouri, 20 percent, 32 percent, and 26 percent, respectively, of the districts had their allocations held harmless in 1976. The maximum percentage of those states' Title I funds that were held harmless was 9 percent. Thus, hold harmless currently has a greater impact in non-statutory states than in states using the statutory formula.

If any of the alternative allocation procedures were implemented, the impact on hold harmless would depend on which alternative was selected.

> Alternative 1 would maintain the current two-tiered hold harmless provisions and would continue to focus part of the cost of hold harmless on the districts that are located in the counties with the hold harmless districts.
>
> Alternative 2 would affect hold harmless in two ways. First, USOE would apply hold harmless to states rather than counties; and second, the cost of hold harmless within a state would be spread among all the other districts within each state. There would still be two tiers of hold harmless provisions, but there would be less negative impact on individual districts.

Alternative 3 spreads the cost of hold harmless among all other districts throughout the nation and does not penalize any district for its location within the same county or within the same state as hold harmless districts.

Alternative 4 would continue the use of annually updated data in several states and would result in substantially more districts being held harmless, but the cost of hold harmless would be spread throughout the state rather than within counties.

4. States Most Affected and Types of Districts Which Would Benefit

The distributional consequences of subcounty allocation procedures were analyzed by simulating the effects of mandating a single uniform formula for all states. The analysis examined how much money would be shifted among districts and what types of districts would gain or lose funds.

This analysis, in effect, examined the distributional consequences of shifting to Alternative 1. It also provided data on the effect of switching to either Alternative 2 or 3 which uses a single national formula.

4.A. Shift to the Statutory Formula

This analysis focused on the 22 states that did not employ the statutory formula in FY 76. Because complete data on statutory eligible children were not available for districts in these states, a set of approximation procedures was used which relied on Census poverty data and, where available, data on children in families receiving AFDC payments.

Projected dollar shifts were calculated by comparing a district's current entitlement to what it would receive under a uniform formula approximating the statutory formula. The dollar shifts within counties were summed to the state level and compared with each state's Title I funds.

In seven of the 21 states using non-statutory formulas, more than 10 percent of each state's Title I funds would shift among districts. The largest shifts, between 10 and 16 percent of the state's Title I funds, would occur in states in which the total number of children in families receiving AFDC payments constitutes a large fraction of the total eligible children. For example, in California, Massachusetts, Missouri, and Montana, which use AFDC in their allocation formula, the percentage shifts are between 8 and 11 percent. On the other hand, states using a formula similar to the statutory formula would experience minor shifts, generally less than 6.5 percent.

A shift to a uniform national formula would cause a majority of central city and urban districts, in states that emphasize AFDC in their allocation formulas, to lose 5 percent or more of their funds. At the same time, a majority of suburban districts and districts with high poverty rates (as defined by Census data) in these same states would gain 5 percent or more of their funds.

These data support the commonly held belief that central city and urban districts are favored by subcounty allocation formulas that emphasize AFDC, while suburban and rural districts are favored by formulas emphasizing Census Orshansky data.

4.B. Shift to Multiple Formula Substate Allocation (Alternative 4)

In substate allocation, a state distributes the Title I funds to school districts without regard to county boundaries. Under Alternative 4, current state subcounty allocation formulas would remain the same, but the states would pool all the county grants and redistribute them to school districts.

States using formulas similar or equivalent to the statutory formula would be affected little by the change to substate allocation procedures. In these states, less than 1 percent of each state's Title I funds would shift among districts. However, states currently using formulas emphasizing AFDC data would generally experience significant fund shifts. In California and Missouri, which use total AFDC for subcounty allocation, 8 percent and 17 percent, respectively, of the state's Title I funds would shift if substate allocation were performed. In Massachusetts, however, which also uses total AFDC for subcounty allocation, less than 3 percent of its Title I funds would shift among districts in a shift to substate allocation. Massachusetts has few counties relative to the number of districts and this characteristic lessens the impact of a shift to substate allocation.

In most states, a shift from subcounty to substate procedures under Alternative 4 would not significantly favor or disfavor districts with particular characteristics. However, in California and Missouri -- two of the three states in the sample which use AFDC-based subcounty formulas -- metropolitan central cities and suburbs would receive increased funds; while non-metropolitan urban and rural areas would receive decreased funds. Districts in these two states with high poverty rates would, on the average, lose funds; while districts with high concentrations of non-white population would, on the average, gain funds. In Missouri, however, where there are a large number of small districts, most of the eligible children in

high poverty districts are in the few high poverty districts that would receive increased funds in a shift to substate allocation.

4.C. Shift to Uniform Formula, Substate or Direct Allocation

Both Alternatives 2 and 3 are affected by two factors: the effects of shifting from current state formulas to a single formula, and the effects of shifting from subcounty to substate or direct allocation procedures.

For states currently using subcounty allocation formulas similar or identical to the statutory formula, Alternatives 2 and 3 would have negligible impact. However, for the states currently using formulas emphasizing AFDC, there would be two shifting effects: (1) the effects of shifting from an AFDC-based formula to the single national formula, such as the statutory formula; and (2) the effects of shifting from subcounty to substate procedures. The total impact for these states is predominantly a function of the first shift. The impact is, therefore, equivalent to that found under the single formula subcounty alternative described on page 12.

5. Data Availability and Feasibility

Knowledge of the availability and reliability of school district and/or county component Census data is important for assessment of the feasibility of Alternatives 1, 2, and 3. Availability and reliability of Census data are not relevant to the assessment of the feasibility of Alternative 4 because data now being used for subcounty allocation could be used to implement Alternative 4.

Of the four alternatives examined then, the fourth alternative is obviously feasible, since it requires only data that states currently collect. The three single formula alternatives would require additional data to be collected in several states in order to replicate the statutory formula, if it were to be the single national formula. The additional data requirements are discussed in the following sections.

5.A. Census Data

Of the 46 states performing subcounty allocation, 35 currently use Census poverty data in their subcounty allocation formulas. Census poverty data have been tabulated by USOE and the Bureau of the Census for school districts and county components with enrollment above 300. For smaller school districts, states use minor civil division data or distribute county Census counts on the basis of average daily attendance. With

respect to the alternative single formula allocation strategies (Alternatives 1, 2 and 3), the availability of Census data is a function of the source of Census data mandated for the Census component of the single formula. In mandating a single formula, Congress could require either the use of a single source or allow the use of multiple sources of Census data.

If multiple Census data sources are permitted, Census data are already available for the 39 states[4] now using Census data for subcounty allocation. These states use a variety of sources to tabulate Census data for school districts including the 1969-1970 Special Tabulations for school districts and Census Bureau-published counts for minor civil divisions. In the remaining 11 states, Census data are available for all districts with enrollment greater than 300. In seven of these 11 states, Census data are available for over 80 percent of the school districts.[5]

If multiple sources are permitted, the problems of obtaining and validating Census data in these 11 states are no worse than the problems already resolved by the 39 states currently using district-level Census data in their allocation formulas.

If a single data source, such as the 1973-1974 Special Tabulations, is mandated, school district Census data are available for all districts with enrollment greater than 300, except those that have experienced boundary changes since the 1973-1974 school year. Since this data source is new and the data have not yet been used for subcounty allocation, state review and validation procedures would be required. For those districts with enrollment under 300, Census counts could be developed by allowing states to use the methods they have established, such as allocating county data to school districts on the basis of average daily attendance.

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[4]This number includes the four states in which school districts and counties are coterminous.

[5]An extensive analysis of the coverage of Census data sources, reported in Volume III of this study, found that Census data are currently available for school districts serving more than 98 percent of the nation's public school students.

All three single formula alternatives would require school district Census data. However, the single formula subcounty allocation strategy (Alternative 1) would also require Census counts of the county components[6] of school districts. County component data are available only for districts with enrollment greater than 300 that have not experienced boundary changes since the 1969-1970 school year. This situation exists because the 1973-1974 Census data project did not include county components. Since many districts had boundary changes during the decade, Alternative 1 would require much more local data collection than would Alternative 2 or 3.

School district Census data are subject to three types of error -- sampling error, allocation error, and mapping error. Sampling error may affect the accuracy of all Census poverty statistics. Allocation and mapping errors affect only data derived from Census data published at levels of aggregation other than the school district. For each type of error, both the probability of error and the magnitude of error is greatest for areas of small population size, such as districts with enrollment under 300.

An examination of Census data reliability showed that Census data have been validated by state and local review and are considered reliable by state officials. Thus, if multiple sources are allowed, then 39 states have all the needed Census data. If a single source is mandated, however, validation and adjustments would be required for all districts which are not coterminous with Census enumeration areas.

To summarize, if multiple data sources are allowed, school district Census data are available and reliable for all districts in the 39 states which currently use Census data. In seven of the remaining 11 states, data are available for at least 80 percent of the districts. If, on the other hand, a single source is mandated, data are available for all districts with enrollment over 300 that have not changed boundaries since 1973-1974. In either case, data not currently in use by the states would have to be validated by state and local review.

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[6]County components are those portions of each school district that are entirely contained inside a county.

5.B. AFDC and Other Data

AFDC data are widely available and present few collection or reliability difficulties. AFDC data are now collected, at the school district level, in 38 states.[7] Twenty-five states now collect counts of children in families receiving AFDC payments with incomes above the Census defined poverty level. Twelve of the remaining 13 states using an AFDC component collect counts of children in all families receiving AFDC payments; the other state uses counts of children in AFDC families with incomes over $2,000, although that count has not been updated since 1971.

Only the 12 states not now collecting AFDC data would have to institute new data collection procedures if a single formula allocation strategy were adopted that required AFDC data. If the AFDC component were mandated to be counts of children in families with incomes above the Census defined poverty level, then seven of the 12 states not now using AFDC data would not need to collect these data because they do not have children in AFDC families above poverty. In the remaining five states, only two have substantial numbers of AFDC children in families with incomes above the poverty level.

None of the states now collecting school district level AFDC counts report that the data collection requires an extensive level of effort. Therefore, the states not now using AFDC data can be expected to develop similar collection procedures without great effort on the part of the state or local education agencies, although state and local welfare agency cooperation is important.

Data on neglected and delinquent children are readily available for school districts because all such institutions must now submit a standard USOE form which identifies the school district.

Foster children data are unreliable and difficult to collect. The problems center on the mobility of foster children and the lack of valid records of their school attendance. Thirty-three[8] states currently use foster data for subcounty allocation.

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[7]This number includes the four states in which school districts and counties are coterminous.

[8]Ibid.

Even in states in which foster data are collected, the data are often considered inaccurate by state officials. These accuracy problems, together with the fact that foster data comprise only 2 percent of Title I eligible children in FY 1977, suggest that foster data should not be included in a single formula allocation alternative.

To summarize, if a single formula such as the statutory formula were mandated as an allocation strategy, school district level Census data would have to be obtained for 11 states not now using Census data; if multiple data sources are allowed, data are available in these states for all districts with enrollment greater than 300. If a single Census data source is mandated, data are available for all districts with enrollment greater than 300 that have not changed boundaries since 1973-1974. For all districts, the Census data would have to be reviewed by state and local officials.

AFDC data collection procedures would have to be instituted in five states if the AFDC component were mandated to be counts of children in families with incomes above the Census defined poverty level. Most states would have difficulty collecting accurate school district data on foster children.

6. Administrative Complexity

USOE and state education agencies currently work in partnership to allocate Title I funds. USOE gathers county data and makes county level allocations. State education agencies gather school district (and county components of school district) data and subdivide the county grants to calculate LEA grants. Each of the four allocation alternatives involves continuing the partnership.

Alternative 1 would not alter USOE's procedures. However, states not now using a formula similar to the single national formula would have increased responsibilities. Census data tabulation and validation would be necessary for states not now using Census data. This effort would be most difficult for the small school districts. AFDC data collection procedures would have to be adopted in a few states and modified in some other states for the single formula alternative.

Alternative 2 would require nearly the same data gathering efforts as would Alternative 1. The effort would be reduced slightly because county level AFDC, N&D, and foster data would not be required. USOE's grant calculation effort would not be as great, since

only approximately 50 allocations would be made instead of more than 3,100. At the same time, SEA grant calculation efforts would be reduced slightly because no county component calculations would be required.

Alternative 3 would significantly increase the administrative requirements at USOE. The number of school districts is more than five times as large as the number of counties, and the definition of those districts is subject to change. USOE would need to depend on state education agencies to gather the school district level data, particularly Census data. SEA staff would play a major role in tabulating and validating Census data, although USOE would have to undertake a major data development effort to create and maintain Census data for all school districts. Collection of AFDC data would also require an additional level of effort. If direct allocation were adopted, delays in collection of AFDC data for a few districts could delay Title I allocations for the nation.

Alternative 4 would reduce data gathering and grant calculation efforts both at USOE and in the states. USOE would no longer need to gather individual county counts of children in AFDC families and in foster homes and N&D institutions. State education agencies would no longer need to obtain county component data for districts that cross county boundaries. Otherwise the state data gathering efforts would be the same as they are at present. USOE grant calculations would be limited to approximately 50 states while state education agencies would calculate the same number of school district grants as they calculate under the present system, and their calculations would be simplified because whole school districts would be used in place of county components of school districts.

SUMMARY

Each of the four alternative allocation strategies offers a combination of benefits and costs which were summarized in Table 1. No single alternative stands out as clearly superior to the others, nor does the analysis rule out any of the alternatives. The choice between retaining the current multiple formula subcounty allocation procedure or shifting to an alternative depends on the relative weight legislators give to the criteria strategy used in this analysis.

In addition, any shift to one of the alternatives will cause significant changes in allocations. If a single statutory formula alternative is chosen, urban school districts in several states would lose significant portions of their funds. Since the single formula alternatives depend primarily on 8-year old Census data, their adoption might better be delayed until the 1980 Census is available.